Before the

FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
SPRINT CORPORATION,	)	
Transferor,	)	
and	)	**CC Docket No. 99-333**
MCI WORLDCOM, INC.,	)	
Transferee,	)	
For Consent to Transfer Control.	)	

Comments of

Telecommunications Research and Action Center
Alliance for Small Business Advocacy
LB Price Communications, Inc.
National Association of Commissions for Women
National Council of Churches in Christ, USA
National Council of Senior Citizens
National Hispanic Council on Aging
Telesis Systems
United Homeowners Association

February 18, 2000

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The undersigned organizations respectfully submit comments to the Federal Communications Commission ("Commission") in opposition to the merger application filed by MCI WorldCom and Sprint ("Applicants"). The commentators represent a broad range of interests and organizations that have come together due to our common concerns. We believe the proposed merger will fail to bring real competition to the local market, exacerbate market concentration in the long distance and Internet markets, and threaten choice, competition, and quality of service. We are especially concerned about the negative impact this merger will have on residential and small business customers, Internet end-users and ISPs. We also fear that the proposed merger will displace thousands of employees and perpetuate poor labor relation practices.

The merger of MCI WorldCom and Sprint, with its far-reaching impact on local, long distance, wireless and Internet telecommunications services, must be evaluated for its impact on the public good, such as customer service, market bias, economic development, labor relations, choice, access and competition.

There is no question the proposed merger is an ambitious strategic business decision made in light of market trends and forces, but the benefits to the public have not been adequately demonstrated in this application. The undersigned organizations contend that a thorough review of the proposed merger will reveal that it does not hold promise for residential, small business, and Internet consumers. The undersigned organizations urge the Commission to insist on conditions that will protect and benefit consumers and to deny the merger request until meaningful competition in the long distance and Internet backbone markets have been fully implemented.

I. STATEMENTS OF INTEREST

Telecommunications Research and Action Center (TRAC) is a non-profit, tax-exempt consumer organization that works to help consumers make informed decisions regarding their long distance options. TRAC has published TeleTips™ for the past sixteen years. TeleTips™ is the only independent source for information on long distance calling plans, directory assistance services and dial arounds.

Alliance for Small Business Advocacy (ASBA) is an affiliation of small business owners, supporters, and groups that are committed to identifying and working on issues that have or will have a critical impact on small business growth. ASBA was formed as a result of the increasing awareness of the importance of small business to a healthy economy.

LB Price Communications, Inc. is a minority owned firm located in Upper Marlboro, Maryland and established in 1998. LB Price specializes in telecommunications and information technology support services. Its specialty is outside cabling and central office support.

National Association of Commissions for Women (NACW) represents local commissions established to promote the interests of women in cultural, social, and economic fields. NACW supports policies and programs that empower women to make informed choices about all aspects of their lives. NACW has been active in the debate on telecommunications reform, supporting legislative and regulatory initiatives to encourage competition, thereby creating new options and services for women as consumers and in their businesses.

National Council of Churches in Christ, USA is the primary national expression of the movement for Christian unity in the United States. The National Council of Churches in Christ member communions - 35 Protestant, Orthodox and Anglican church bodies - work together on a wide range of activities that further Christian unity, that witness to the faith and that serve people throughout the world. Some 52 million U.S. Christians belong to churches that hold Council membership.

National Council of Senior Citizens (NCSC) is one of the largest nonprofit organizations in the United States with more than 500,000 members in 2,000 affiliated clubs and councils nationwide. NCSC keeps its finger on the pulse of the concerns of older Americans through its affiliates and translates those concerns into political muscle.

National Hispanic Council on Aging (NHCoA) is a private, nonprofit organization that works to promote the well being and quality of life for older Hispanics. Founded in 1983, the NHCOA has been committed to furthering the issues of the Hispanic elderly in all levels of government.

Telesis Systems (TSI) is a minority owned firm located in suburban Maryland. It was established in 1996. TSI offers a full spectrum of consulting and training services in the area of information technology; conversions, performance tuning and Year 2000 issues. TSI houses a state-of-art technology training center and computer integration lab.

United Homeowners Association (UHA) is a national, nonprofit, membership based organization that represents the interests of homeowners in Washington, D.C. UHA has an active communications advocacy program on behalf of its members. UHA has promoted the interests of homeowners in telecommunications to Congress, before the FCC and in the courts.

II. INTRODUCTION

MCI WorldCom and Sprint announced their intentions to file a merger application with the Federal Communications Commission on October 6, 1999 and the formal application was submitted on November 17, 1999. At the time of the announcement, the proposed merger was valued at $129 billion and considered the largest corporate merger in history. Immediately, consumer and labor organizations came out in opposion to the proposed merger and the Senate Judiciary Committee and Commerce Committee held hearings to examine the implications of this merger on competition. The press has covered the opinions of consumers, regulators, telecommunications experts and the Applicants. The prevailing response is that the proposed merger between MCI WorldCom and Sprint has serious implications for consumers, competition and the Internet economy.

The undersigned organizations share the view of federal regulators that the merger should not violate our nation's antitrust laws, and that the burden to demonstrate how the merger will be in the public interest rests with the Applicants. The undersigned organizations are committed to ensuring that our constituents benefit from the Telecommunications Act of 1996, and that the industry upholds its responsibility to provide all consumers with choice, competition, quality service, innovation and affordable prices. That is why we urge the Commission to consider our views when examining the merits of this merger application.

III. MERGER OFFERS NO COMMITMENT TO ENTER LOCAL MARKETS

MCI WorldCom and Sprint's application stresses that one of the driving factors for the proposed merger is to better equip the newly formed company to enter the local telephone service market and provide packages of "all distance" services to consumers. We concur that this is an industry trend. However, we are concerned that lost in the application rhetoric is a viable plan to roll-out these services to residential and small business consumers. There is little evidence in this application that the newly merged company will enter new local markets at a rapid pace or aggressively pursue new local telephone service for consumers.

For example, MCI WorldCom admits that its initial focus as a Competitive Local Exchange Carrier (CLEC) has been on the most accessible portions of the local telephone business, i.e. the medium and large business segments. They contend they are extending their capability to provide local service to residential customers, and offer their efforts in New York as evidence of this capability. Yet, the proposed strategy, "to use UNE-P to address the mass market,"[1] is wrought with ambiguity. According to the merger application, ". . . the commercial availability and feasibility of UNE-P in jurisdictions other than New York remain uncertain." [2] So, if the Applicants themselves question the commercial viability of UNE-P, then what real chance is there for bringing competition and choice to local telephone markets? Choice in New York does not meet the needs of consumers in the other 49 states and U. S. territories.

We also take note that no firm commitment is made to deploy additional local facilities outside the existing urban metropolitan locations, despite the assertion that the newly merged company is coming together "to secure an independent, facilities-based

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[1] Application of Sprint Corp. and MCI WorldCom, Inc. for Consent to Transfer Control, CC Dkt. No. 99-333 (November 17, 1999), page 22.

[2] IBID, page 22.

national CLEC business."[3] Without a commitment to invest in expanding the facilities-based infrastructure, it is difficult to imagine that the newly merged company will bridge the "last mile." We find this to be wholefully inadequate as a demonstration of commitment and ability to enter into the local telephone market and serve residential customers with quality service.

Even the proposed benefit of acquiring Sprint and capitalizing on their expertise in local telephone markets, including 5.6 million residential access lines in suburban and rural communities, is not viewed favorably by the undersigned organizations. As recent as 1999, Sprint's local telephone service ranked second to worst among 14 local telephone companies according to a local telephone service satisfaction study, conducted by J.D. Powers and Associates.[4] Poor customer service does not benefit the public good and we are concerned that little attention will be paid to residential consumers.

Combine the virtual absence of MCI WorldCom in the residential local telephone market with no viable local telephone entry plan, and Sprint's poor service record in the local market, and we contend that the merger will not bring real choice, quality service or competition to the local telephone market.

IV. MERGER CREATES DUOPLY IN LONG DISTANCE MARKET

In spite of the Applicant's lengthy justification of how this merger will not jeopardize competition in the long distance market, we are vitally concerned by the fact that the merger between MCI WorldCom and Sprint combines the second and third largest long distance service providers into one company. Moving from a market

[3] IBID, page 20.

[4] See Communications Workers of America Fact Sheet, http://www.cwa-union.org/worldcomsprint/fact_sheet.htm.

dominated by three major carriers to one that is controlled by two companies invites opportunity for comfortable cooperation rather than vibrant competition. There is no denying that having multiple, competing long distance providers benefits all consumers. However, we fear that absent the historic competitive challenges each company placed on the long distance market, the costs of long distance telephone services will rise when they merge into one company.

We especially take issue with the Applicants' optimistic view of a robust competitive environment by citing that "over 600 carriers provide long distance service"[5] and ". . . some, if not many, BOC applications will be granted by the time the 1996 Act has its fifth year anniversary."[6] None of the 600 carriers, outside of MCI WorldCom, Sprint and AT&T, account for more than 2% of the long distance market.[7] And, to date, only one RBOC application to enter the long distance market in one state has been approved. It is inconceivable that many, much less all of the states, will have approved 271 applications in the near future, given the exhaustive and lengthy process of the Bell Atlantic New York 271 application which took well over two years.

We believe that unless some of the smaller carriers become major players in the long distance market or until there is massive, widespread and rapid entry by the RBOCs into the long distance market, the MCI WorldCom and Sprint merger should not be approved.

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[5] Application of Sprint Corp. and MCI WorldCom, Inc. for Consent to Transfer Control, CC Dkt. No. 99-333 (November 17, 1999), page 32.

[6] IBID, page 34.

[7] Statement of James F. Rill, Collier, Shannon, Rill & Scott, before the U.S. Senate Committee on the Judiciary on Issues Relating to the Proposed MCI WorldCom/Sprint Merger (November 4, 1999). See Discussion on Long Distance Market, page 4.

V. MERGER THREATENS NEW ECONOMY

Just as it is impossible to ignore the undue market concentration that the merger would create in the long distance market, it is equally as difficult to not acknowledge that the union between MCI WorldCom and Sprint would have a similar affect on the nation's Internet backbone. By allowing the largest and second largest Internet backbone providers to combine their assets and control over two-thirds of the Internet traffic, the Commission would give a green light to higher Internet connection fees, slower and less reliable links to backbone providers, a shrinking universe of Internet Service Providers (ISPs), and ultimately a network devoid of independent ideas and innovation.

With the Internet growing at such a rapid pace and with competition already in a fragile state, the last thing consumers need is a merger that threatens growth and competition. The undersigned organizations believe the merger between MCI WorldCom and Sprint ISPs has to the potential to negatively impact the New Economy by giving one company dominant control over the Internet backbone, the location of access points and "peering" relationships. We are heartened to know the Commission shares our concern on this matter since Internet assets were a serious point of deliberation during the merger between MCI and WorldCom in 1998.

However, while MCI WorldCom divested itself of some Internet assets in 1998, as required by federal regulators, the divestiture has been wrought with complications and unfulfilled promises. Cable & Wireless, which bought the Internet assets, has filed suit against MCI WorldCom, citing their failure to honor a number of different provisions in the purchase agreement. According to recent testimony by Cable & Wireless before the Senate Commerce Committee, ". . . MCI WorldCom's material breaches of the

Undertakings threaten to impair Cable & Wireless' competitiveness."[8] Subsequently, we are concerned that even if similar conditions are imposed by the Commission on the MCI WorldCom and Sprint merger, that growth and competition in the Internet will be jeopardized. For these reasons, we urge the Commission to carefully guard the New Economy by denying the MCI WorldCom and Sprint merger application.

VI. MERGER MAY DISPLACE THOUSANDS OF EMPLOYEES

The Applicants claim that the merger between MCI WorldCom and Sprint will produce substantial cost savings -- $2 billion in the first full year of combined operations and growing to $4 billion in the fourth year -- of which $1.3 billion will come from sales, general and administrative operations. This raises a red flag for many of us who often see "cost savings" as a euphemism for downsizing, lay-offs and worker displacement. This concern is further reinforced because the merger application does not project to create additional jobs as a result of the proposed merger. Consequently, we conclude thousands of employees may lose their jobs if this merger is approved. After all, look at what happened after MCI and WorldCom merged in 1998—they reduced their workforce by 3,700 employees *instead* of creating 10,000 new jobs as they had promised to do prior to the merger![9]

Couple our concern about employees losing their jobs with the long-standing failure of both MCI WorldCom and Sprint to resolve labor relations problems, and we believe that the merger will not produce a company that contributes to the public good in context

[8] Statement of Mike McTighe, CEO, Cable & Wireless, Global Operations before the U.S. Senate Commerce Committee on Telecommunications Mergers (November 8, 1999). See Discussion on Divestiture of MCI Internet Backbone Business, page 4.

[9] See Communications Workers of America Fact Sheet, http://www.cwa-union.org/worldcomsprint/fact_sheet.htm.

to community economic development and fair labor relations. We support the rights of workers to organize in the telecommunications market and we do not want to see a newly merged company that prohibits or stifles this fundamental right. We believe the impact of this merger on employees, community economic development and labor relations has a direct impact on the quality of service that a company provides to its customers. The Commission is urged to further explore the matter of job creation, job reduction and labor relations during their review of the merger application.

VII. CONCLUSION

We urge the Commission to consider our comments in full and to deny the proposed transfer of control of Sprint to MCI WorldCom. We believe a merger of this magnitude, with all its implications for undue market concentration in the long distance and Internet markets, is not in the public interest. We believe the two companies have proposed a strategic business decision that is consistent with industry trends, however, we remain unconvinced that the merger is necessary to provide consumers with more competition, more choice, better service and new innovations. The Applicants have not adequately demonstrated a commitment to provide competition in local telephone markets, to provide quality customer service, to honor past Internet divestiture commitments or to implement fair labor practices. For the undersigned organizations, these are important principles that give insight into how the newly merged company will perform.

It is with these views in mind, that the undersigned organizations conclude that the proposed merger between MCI WorldCom and Sprint will fail to benefit consumers. We encourage the Commission and the two companies to examine the issues raised in this filing and to address the issues of concern to residential and small business consumers, Internet end-users and ISPs, and labor. Until these issues are adequately addressed, the undersigned organizations oppose the proposed merger between MCI WorldCom and Sprint.

Respectfully submitted,

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